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***ECONOMIC
INVESTMENT
TRUST
LIMITED***



**Forty-Third
ANNUAL REPORT
December 31, 1969**

Board of Directors

A. BRUCE MATTHEWS, C.B.E., D.S.O.

Chairman of the Board

Chairman, The Excelsior Life Insurance Co.

R. C. BERKINSHAW, C.B.E., Q.C., LL.D.

Director

The Goodyear Tire & Rubber
Co. of Canada Ltd.

FREDERICK W. P. JONES

Professor

School of Business Administration
University of Western Ontario

GRAHAM MORROW, O.B.E.

Director

National Trust
Company

H. N. R. JACKMAN

Vice-President and Director
Dominion and Anglo
Investment Corporation

LAWRENCE W. SKEY, D.F.C.

Director and Treasurer
Scudder International
Investments Ltd.

Officers

A. BRUCE MATTHEWS

Chairman

LAWRENCE W. SKEY

Managing Director

ROBERT W. INGLIS, C.A.

Secretary-Treasurer

Head Office.....44 KING STREET WEST, TORONTO, ONTARIO

Shares Listed.....TORONTO STOCK EXCHANGE

Bankers.....CANADIAN IMPERIAL BANK OF COMMERCE

Auditors.....CLARKSON, GORDON & CO.

Transfer Agent and Registrar.....CANADA PERMANENT TRUST COMPANY

DIRECTORS' REPORT TO THE SHAREHOLDERS

To be presented at the Forty-Third Annual Meeting to be held on February 23, 1970

NET ASSET VALUE

Net Asset Value per common share declined by 6.5% during 1969, from \$21.62 at December 31, 1968 to \$20.22 at the close of 1969. A comparative schedule of the Trust's performance with that of the T.S.E. and the Dow-Jones Industrials is set out below.

Annual Increase or (Decrease)

	Economic	Industrials	
		T.S.E.	Dow-Jones
1969	(6.5%)	(1.6%)	(15.2%)
1968	24.4	16.4	4.3
1967	24.9	9.9	15.1
1966	(13.7)	(12.4)	(18.8)

The investment portfolio of the Trust is shown on pages 9 to 11 of this report and a financial summary covering the life of the Trust is set out on the inside of the back cover.

EARNINGS AND DIVIDENDS

Net income for 1969 after provision for income taxes was \$759,294. After payment of dividends on the preferred shares amounting to \$241,013, a balance of \$518,281 or 50 cents per share remained available for the common shares. This represents an increase of 2 cents per share over the 48 cents per share earned in 1968. The year-end extra dividend was increased by 2 cents per share, resulting in a total payment of 46 cents per share for 1969.

OUTLOOK FOR 1970

The severe monetary restraints imposed by fiscal authorities in 1969 are continuing into 1970. Interest rates, which reached an all-time high by the end of 1969, show no signs of decline. The restrictions imposed are, however, beginning to have an effect on business activity, as indicated by the reduced rate of automobile sales, especially in the U.S.A., and the continuing low level of housing starts in this country and the U.S.A.

Despite the restraints, however, the major problem of inflation still is a source of concern to all who look to a prosperous future for Canada. The high level of demand for goods and services continues to exert a powerful upward pressure on prices and thus on the cost of living. Until some significant decline in demand is seen, we do not anticipate any substantial easing of restraints.

Because of the restraints referred to above, North American equity markets turned in a lack-lustre performance in 1969 and so far in 1970 show no signs of a major recovery. Your Directors have maintained a fully-invested

position in carefully-selected equities in anticipation of an eventual recovery when more favourable conditions return.

TAX REFORM

The Federal Government's White Paper on tax reform has caused considerable discussion and controversy across Canada. Whatever the final outcome of the Government's proposals, there can be little doubt that the Canadian income tax system will be drastically changed.

Your Trust, through its membership in the Association of Canadian Investment Companies, proposes to express its opposition to certain of the proposals before the House of Commons committee on finance which has begun hearings on the White Paper.

At the present time your Directors believe that it is too early to set out in detail the effects that implementation of the White Paper, as presently proposed, would have on our shareholders. It appears evident, however, that investment in foreign securities will be considerably less attractive under the proposed tax reforms. In any event, we will advise shareholders later in the year of any important developments that occur.

SAVINGS AND RETIREMENT PLANS

Your Directors again wish to call attention to the Trust's Dividend Reinvestment Plan, under which common shareholders may add to their investment at regular intervals.

Also available is the Economic Investment Trust Retirement Savings Plan, approved by the Department of National Revenue. The value of either preferred or common shares of the Trust deposited with the Trustee for the Plan is deductible from an individual's taxable income. Payments into a Plan on account of the 1969 taxation year can be made until February 28, 1970.

Further information regarding the above plans is available at the Head Office of the Trust.

DIRECTORS

Directors retiring at the forthcoming Annual Meeting in accordance with the By-laws are Professor F. W. P. Jones and Messrs. Graham Morrow and L. W. Skey. They are eligible for re-election.

On behalf of the Board.

A. BRUCE MATTHEWS, Chairman.

Toronto, Canada.
January 30, 1970.

ECONOMIC INVESTMENT TRUST LIMITED

(Incorporated under the laws of Canada)

BALANCE SHEET

ASSETS	December 31	
	1969	1968
Investments at market value (notes 1 and 3)	\$26,116,556	\$27,586,904
(Cost—1969—\$19,021,958; 1968—\$17,832,606)		
Due from brokers for securities sold		199,285
	<u>\$26,116,556</u>	<u>\$27,786,189</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Due to bank (note 3)	\$ 148,898	\$ 314,532
Due to brokers for securities purchased	14,561	66,563
Accounts payable and accrued charges	2,839	10,853
Income taxes payable	7,643	1,566
	<u>173,941</u>	<u>393,514</u>
Shareholders' Equity:		
Share Capital —		
Authorized:		
196,405 preferred shares of \$50 par value		
(exclusive of 3,595 shares redeemed)		
2,500,000 common shares of no par value		
Issued:		
96,405 5% cumulative preferred shares Series A,		
redeemable at \$52.50	\$ 4,820,250	\$ 4,820,250
1,032,940 common shares	4,116,691	4,116,691
Surplus —		
Contributed surplus	586,475	586,475
Capital surplus arising under Section 61 of the Canada		
Corporations Act	152,854	152,854
Earned surplus	452,893	409,764
Accumulated surplus on sale of investments	8,718,854	7,552,343
Unrealized appreciation of investments	7,094,598	9,754,298
Total shareholders' equity	<u>25,942,615</u>	<u>27,392,675</u>
	<u>\$26,116,556</u>	<u>\$27,786,189</u>

On behalf of the Board:

A. BRUCE MATTHEWS, Director

LAWRENCE W. SKEY, Director

(See accompanying notes)

UNITED

For the years ended December 31

(See accompanying notes)

ECONOMIC INVESTMENT TRUST LIMITED

STATEMENTS OF CONTRIBUTED SURPLUS, CAPITAL SURPLUS, ACCUMULATED SURPLUS ON SALE OF INVESTMENTS AND UNREALIZED APPRECIATION OF INVESTMENTS

For the years ended December 31

	1969	1968
	<u> </u>	<u> </u>
CONTRIBUTED SURPLUS		
Balance at beginning of year	\$ 586,475	\$ 572,669
Add excess of par value of preferred shares redeemed over repurchase price thereof		13,806
	<u>\$ 586,475</u>	<u> </u>
Balance at end of year	<u>\$ 586,475</u>	<u>\$ 586,475</u>
CAPITAL SURPLUS		
Balance at beginning of year	\$ 152,854	\$ 102,660
Add appropriation of earned surplus on the redemption of preferred shares in accordance with Section 61 of the Canada Corporations Act		50,194
	<u>\$ 152,854</u>	<u> </u>
Balance at end of year	<u>\$ 152,854</u>	<u>\$ 152,854</u>
ACCUMULATED SURPLUS ON SALE OF INVESTMENTS		
Balance at beginning of year	\$ 7,552,343	\$ 6,612,849
Net surplus on securities sold	1,166,511	939,494
	<u>\$ 8,718,854</u>	<u> </u>
Balance at end of year	<u>\$ 8,718,854</u>	<u>\$ 7,552,343</u>
UNREALIZED APPRECIATION OF INVESTMENTS		
Balance at beginning of year	\$ 9,754,298	\$ 6,363,409
Net increase (decrease) for year	(2,659,700)	3,390,889
	<u>\$ 7,094,598</u>	<u> </u>
Balance at end of year	<u>\$ 7,094,598</u>	<u>\$ 9,754,298</u>

(See accompanying notes)

ECONOMIC INVESTMENT TRUST LIMITED

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

	1969	1968
Net assets at beginning of year	\$27,392,675	\$23,076,097
Additions:		
Net surplus on securities sold	1,166,511	939,494
(proceeds of sales—1969, \$7,761,851; 1968, \$5,646,402)		
Increase in unrealized appreciation of investments	—	3,390,889
Net profit for year	759,294	732,823
	<u>1,925,805</u>	<u>5,063,206</u>
Deductions:		
Decrease in unrealized appreciation of investments	2,659,700	—
Cost of 1,280 preferred shares redeemed	—	50,194
Dividends paid—on preferred shares	241,013	241,941
—on common shares	475,152	454,493
	<u>3,375,865</u>	<u>746,628</u>
Net increase (decrease) for year	(1,450,060)	4,316,578
Net assets at end of year	<u>\$25,942,615</u>	<u>\$27,392,675</u>

(See accompanying notes)

ECONOMIC INVESTMENT TRUST LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1969

1. The company's investments are stated at market value at December 31, 1969 to facilitate the computation of net asset value on a market basis at that date. In the accounts of the company, however, investments are stated at cost and not adjusted for fluctuations in market value.
2. Foreign currency amounts included in the financial statements have been stated in Canadian dollars as follows:
 - (a) Market value of investment securities, other assets and liabilities — at the closing rate of exchange at December 31, 1969.
 - (b) Purchases and sales of investment securities, revenue and expenses — at the approximate rate of exchange prevailing when the transactions giving rise to such items occurred.
3. Bank loans of the company outstanding from time to time are secured by hypothecation of the company's investments.

AUDITORS' REPORT

To the Shareholders of

Economic Investment Trust Limited:

We have examined the balance sheet of Economic Investment Trust Limited as at December 31, 1969 and the statements of revenue and expenses, contributed surplus, capital surplus, earned surplus, accumulated surplus on sale of investments, unrealized appreciation of investments and changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Securities owned at December 31, 1969 were verified by confirmation received directly either from the custodian or from brokers in respect of securities purchased but not received.

In our opinion these statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 14, 1970.

CLARKSON, GORDON & CO.,
Chartered Accountants.

ECONOMIC INVESTMENT TRUST LIMITED

PORTFOLIO AS AT DECEMBER 31, 1969

BONDS AND DEBENTURES (1.88% of net assets)

	Par Value	Market Value
The Oshawa Wholesale Ltd. 5½ % Convertible Subordinated Debentures due November 15, 1986	\$ 157,000	\$ 278,675
Paragon Properties Ltd. 8% Series 'A' Sinking Fund Debentures due February 15, 1979 with common shares attached	160,000	208,640
		<u>\$ 487,315</u>

PREFERRED SHARES (3.22% of net assets)

	Number of Shares	Market Value
Argus Corporation Ltd. Class "C" Participating	36,900	415,125
Canadian Pacific Railway Co. 4% non-cumulative		
—units of 5 shares of \$3 par value	40,000	350,000
—units of 5 shares of £1 par value	10,000	71,250
		<u>\$ 836,375</u>

COMMON AND CONVERTIBLE PREFERRED SHARES (95.57% of net assets)

BANKS (16.04% of net assets)

Bank of Montreal	20,000	\$ 337,500
Bank of Nova Scotia	67,500	1,493,437
Canadian Imperial Bank of Commerce	50,000	1,131,250
Toronto Dominion Bank	50,000	1,200,000
		<u>\$ 4,162,187</u>

ENTERTAINMENT (2.95% of net assets)

Maple Leaf Gardens Ltd.	9,000	\$ 234,000
Standard Broadcasting Corp. Ltd.	40,000	530,000
		<u>\$ 764,000</u>

FINANCIAL AND INSURANCE (7.99% of net assets)

Canadian Permanent Mortgage Corp.	17,000	\$ 199,750
E-L Financial Corp. Ltd. Conv. Pref.	65,227	880,564
E-L Financial Corp. Ltd.	69,750	662,625
Power Corporation of Canada Ltd.	16,000	184,000
United Canadian Shares Ltd.	3,950	146,150
		<u>\$ 2,073,089</u>

COMMON AND CONVERTIBLE PREFERRED SHARES (Continued)

	Number of Shares	Market Value
FOOD, BEVERAGE AND TOBACCO (8.84% of net assets)		
Bright & Co. Ltd., T. G.	7,500	\$ 652,500
Distillers Corp.-Seagrams Ltd.	16,000	840,000
General Bakeries Ltd.	25,000	118,750
Walker-Gooderham & Worts Ltd., Hiram	15,000	682,500
		<u>\$ 2,293,750</u>
GENERAL MANUFACTURING (5.77% of net assets)		
Avco Corporation \$3.20 Cum. Conv. Pref.	7,000	\$ 394,603
Corning Glass Works	600	163,962
International Business Machines Corporation	2,400	939,317
		<u>\$ 1,497,882</u>
HEAVY INDUSTRY (4.64% of net assets)		
Boeing Company	3,000	\$ 90,598
Dominion Foundries & Steel Ltd.	20,000	465,000
Slater Steel Industries Limited	24,700	318,012
Steel Co. of Canada Ltd.	15,000	330,000
		<u>\$ 1,203,610</u>
MERCHANDISING (1.32% of net assets)		
Koffler Stores Ltd.	20,000	\$ 242,500
Oshawa Wholesale Ltd. "A"	4,000	100,000
		<u>\$ 342,500</u>
METALS AND MINING (14.98% of net assets)		
Cassiar Asbestos Corporation Ltd.	30,000	\$ 551,250
Denison Mines Ltd.	12,000	492,000
Hollinger Mines Ltd.	20,000	555,000
International Nickel Co. of Canada Ltd.	20,000	940,000
Noranda Mines Ltd.	7,000	259,000
Northgate Exploration Ltd.	20,000	317,500
Placer Development Ltd.	10,000	472,500
Sullivan Mining Group Ltd.	40,000	298,000
		<u>\$ 3,885,250</u>
PAPER AND FOREST PRODUCTS (2.33% of net assets)		
Abitibi Paper Co. Ltd.	7,600	\$ 95,000
MacMillan, Bloedel Ltd.	15,000	506,250
		<u>\$ 601,250</u>

COMMON AND CONVERTIBLE PREFERRED SHARES (Continued)

	Number of Shares	Market Value
PETROLEUM AND PIPELINES (9.05% of net assets)		
General Products Mfg. Corp. Ltd. 'A'	10,000	\$ 322,500
Interprovincial Pipe Line Co.	35,000	822,500
Shell Investments Ltd. 1st Preferred	17,500	481,250
Supertest Petroleum Corp. Ltd., ordinary	10,000	400,000
Trans Canada Pipelines Ltd. \$2.75 Conv. Preferred	1,500	91,500
Trans Canada Pipelines Ltd.	7,000	231,000
		<u>\$ 2,348,750</u>
PRINTING AND PUBLISHING (4.32% of net assets)		
Moore Corporation Ltd.	30,000	<u>\$ 1,121,250</u>
PUBLIC UTILITIES (11.06% of net assets)		
Bell Canada	12,000	\$ 528,000
British Columbia Telephone Company	13,500	972,000
Consumers' Gas Co.	30,000	446,250
Houston Natural Gas Corp. Cum. Conv. Pref	10,000	522,110
International Utilities Corporation	15,000	401,250
		<u>\$ 2,869,610</u>
TRANSPORTATION (2.78% of net assets)		
Canadian Pacific Railway Co.	10,000	<u>\$ 722,500</u>
MISCELLANEOUS (3.50% of net assets)		
Noel Mutual Fund Ltd.	830	\$ 131,082
Scudder North America Fund Ltd.	25,000	248,250
Scudder Special Fund Inc.	12,741	456,523
Sundry Securities		71,383
		<u>\$ 907,238</u>
TOTAL COMMON AND CONVERTIBLE PREFERRED SHARES		<u>\$24,792,866</u>

SUMMARY

	Market Value	% of Net Assets
Bonds and debentures	\$ 487,315	1.88%
Preferred shares	836,375	3.22
Common and convertible preferred shares	24,792,866	95.57
Cash and cash items (net)	(173,941)	(0.67)
TOTAL NET ASSETS	<u>\$25,942,615</u>	<u>100.00%</u>

ECONOMIC INVESTMENT TRUST LIMITED

Financial Record - 1928-1969

Year Ending March 31	Gross Income	Bond and Debt Interest	Expenses	Income Taxes	Net Income	Total Net Assets	Funded Debt and Preferred Shares†	Available for Common Shares	Common Shares Outstanding*	Asset Value per Common Share*
1928	\$106,907	\$20,742	\$24,968	\$ 1,361	\$ 59,836	\$ 1,794,643	\$1,000,000	\$ 794,643	\$ 403,125	\$ 1.97
1933	98,327	48,664	12,562	563	36,538	1,161,715	962,500	199,215	499,062	0.40
1938	157,194	48,216	16,507	3,090	89,381	2,028,005	1,000,000	1,028,005	499,062	2.06
1943	156,515	50,000	15,884	11,079	79,552	2,604,866	1,000,000	1,604,866	499,062	3.22
1948	157,877	30,000	17,823	—	110,054	3,522,969	1,000,000	2,522,969	500,000	5.05
Year Ending Dec. 31										
1953	276,684	37,500	29,782	19,500	189,902	5,197,984	1,250,000	3,947,984	625,000	6.32
1959	398,300	97,400	34,307	16,000	250,593	11,125,566	2,920,000	8,205,566	760,000	10.74
1960	431,706	95,955	38,137	18,000	279,614	11,462,158	2,902,500	8,559,658	762,185	11.19
1961	489,840	84,910	36,670	20,000	348,260	15,222,286	2,509,500	12,712,786	969,855	13.09
1962	548,028	65,025	42,276	13,000	427,727	15,959,654	4,100,000	11,859,654	1,032,940	11.48
1963	614,170	60,000	44,780	14,000	495,390	17,633,299	4,100,000	13,533,299	1,032,940	13.10
1964	678,595	—	51,437	11,000	616,158	20,955,088	5,250,000	15,705,088	1,032,940	15.20
1965	762,143	—	50,255	8,000	703,888	21,897,735	5,250,000	16,647,735	1,032,940	16.12
1966	800,963	—	50,241	13,500	737,222	19,613,106	5,250,000	14,363,106	1,032,940	13.91
1967	858,076	—	50,304	19,000	788,772	23,076,097	5,128,462	17,947,635	1,032,940	17.38
1968	805,538	—	53,715	19,000	732,823	27,392,675	5,061,263	22,331,412	1,032,940	21.62
1969	845,570	—	56,276	30,000	759,294	25,942,615	5,061,263	20,881,352	1,032,940	20.22

* Adjusted for 5-for-2 split in 1951 and 5-for-1 split in 1963.

† Preferred Shares at redemption price of \$52.50 per share.

